

Transactions and Use Tax

Measure A Citizens' Advisory Committee

Annual Report for Fiscal Year 2017-2018

Prepared for City Council of Stockton, California

August 23, 2019



2017-18 Committee Members

Dwight Williams, Chair

Marcie Bayne, Vice-Chair*

Joni Anderson*

Susan Bartman, Vice Chair*

Julia Cox**

Ernesto Gonzalez

Joseph Johnson

Karl L. Miller

David Renison**

(*Joni Anderson Replacing Marcie Bayne in August 2017, *Susan Bartman appointed Vice Chair, Sept. 2017)

(**David Renison resigned Sept 2017, replaced by Julia Cox, Feb.2018)

STOCKTON, CALIFORNIA

Citizens' Advisory Committee, Measures A & B

Annual Report for Fiscal Year 2017-18

Pursuant to City of Stockton Transactions and Use Tax Ordinance, the Citizen's Advisory Committee respectfully submits this Annual Report to City Council for review.

Background

On July 9, 2013, the Stockton City Council adopted Resolution 2013-07-09-1601 calling for a special election establishing the $\frac{3}{4}$ cent sales tax contingent upon voter consideration and approval at the November 5, 2013 election.

On October 8, 2013, the Stockton City Council adopted Resolution 2013-10-08-1505 to clarify the intent of authorizing the formation of a Citizen's Oversight Committee. The Measure A Citizens' Advisory Committee is comprised of seven City Council appointees tasked with the oversight of Measure A's revenues and expenditures.

Responsibilities include a review of annual audits conducted by an independent accounting firm, measuring economic recovery to determine when the tax should end, producing annual reports, holding public meetings and making recommendations to the City Council.

On November 5, 2013 Stockton voters approved both Measures A & B, authorized under Ordinance 2013-07-09-1601.

Measure A is a transaction and use (sales) tax initiative introduced by the City of Stockton and passed by 51.85% voter approval, an affirmative vote of 11% of the city's population.

A key component in the campaign leading up to the ballot measure was the promise of an effective citizen's oversight committee.

The tax became effective on April 1, 2014 with an additional three-quarter ($\frac{3}{4}$) cent sales tax, the sales tax within the City of Stockton will be nine percent (9%). The tax is set to expire by its own terms in ten years, unless extended by the City Council. However, the measure includes a 'sunset provision' and, by order of the Council or by voter approval, the tax can be reduced or eliminated when the peak revenues of 2008 are again reached, adjusted for inflation.

The implementation plan (Resolution 2014-02-25-1501) included assurances that for the period beginning April 1, 2014 through June 30, 2017, 40 additional sworn police officer positions would be authorized each year.

Law Enforcement, Crime Prevention, and Other Essential City Services Measure

To pay for law enforcement and crime prevention services such as those described in Stockton's Marshall Plan on Crime, to help end the bankruptcy and restore other City services; and provided it shall sunset in ten years or when economic recovery occurs, a Citizen's Oversight Committee reports on the use of proceeds, and independent audits are done annually; shall Ordinance 2013-07-09-1601 be adopted to impose a 3/4-cent transaction and use (sales) tax?

Measure A was accompanied by Measure B, a non-binding advisory measure to communicate the priorities and will of the people. The voter-approved Measure B calls for 65 percent of the new revenues to be used for law enforcement and crime prevention services such as those described in the City's Marshall Plan on Crime which funds three components; it hires 120 sworn officers as well as civilian staff, it creates an Office of Violence Prevention and it implements Neighborhood Blitz Teams. The remaining 35 percent of the proceeds is to be used only to pay for the City's efforts to end the bankruptcy and for services to residents, businesses and property owners.

Measure B as it appeared on the November 5, 2013 Ballot:

Advisory Measure

If Measure A is approved by the voters, shall (i) 65% of its proceeds be used only to pay for law enforcement and crime prevention services in the City such as those described in the City's Marshall Plan on Crime and (ii) 35% of its proceeds be used only to pay for the City's efforts to end the bankruptcy and for services to residents, businesses, and property owners?

Measure A Citizens' Advisory Committee Charter 2.2.3 Annual Reports.

The charter provides that the Committee meet at least annually and make recommendations to the City Council regarding Measure A revenues and expenditures; which report shall include the following:

- A statement indicating whether the City is in compliance with the purposes set forth in the applicable ballot measures with respect to the tax proceeds;
- A review of tax revenues and expenditures to verify that amounts collected were expended for the purposes set forth in the applicable ballot measure with respect to the tax proceeds;
- A review of the City's progress in implementing the recommendation of the Marshall Plan on Crime, including the hiring of 120 additional police officers and other investments; and
- A summary of the Committee's proceedings and activities for the preceding year.

The Committee met in public forum three times during Fiscal Year 2017/18. Agendas and Minutes are posted on the city's web site:

www.stocktongov.com/government/departments/manager/pubMeasureA.html

www.stocktongov.com/government/oMeetings/boardComMeetings.html

Measure A Tax Revenue Collected in Fiscal Year 2017/2018

The amount of revenue collected by the City of Stockton as a result of Measure A ¼ cent transaction and use tax for the Fiscal Year 2017/2018 was \$31,735,27.

Expenditures

Police \$21,600,708.

Office of Violence Prevention \$873,609.

This left an excess of revenue of \$9,261,410. according to the 2017/18 CAFR. This excess appeared in the General Fund as available funds according to the Eadie & Payne report.

It should be noted that 71% of the Measure A revenues were spent on Measure B expenditures according to 2017/2018 CAFR (Comprehensive Annual Financial Report)

Police Staffing

Prior to Measure A, in June 2014, Stockton had 365 authorized positions for sworn officers. This is the benchmark to measure the success of the Implementation Plan of 120 additional officers funded by the Measure A Tax.

Once again, the Committee must point out, the assurances set forth in the Implementation Plan for a quantified level of police staffing has not been met in Fiscal Year 2017/2018. The residents of Stockton were told that, with the Measure A revenues, at least 120 additional sworn officers would be hired by the end of Fiscal Year 2016/2017. It did not happen during that fiscal year or the fiscal year we reviewed for this report 2017/2018.

In FY 2017/2018, 70 Police Officers were hired, using all funding sources. On June 30, 2018 filled positions for sworn officers was at 470. Measure A funded positions had a net gain of 16 sworn officers. This was still 15 positions short of the set benchmark of 485.

Of those 470 filled positions, 296 were assigned to Patrol (which includes 30 in a Police Academy, and 9 on probation in patrol assignments). According to Staff, 4 left for other agencies, 7 failed the academy and 20 resigned. According to the Eadie & Payne report 24 sworn public safety officers were hired using Measure A funds.

It should be noted that City Staff estimates the average cost to hire is \$54,000 per officer. This cost includes recruitment & testing, background, equipment and cost of the academy.

Additionally, reflected in the cost of a new hire is the number of Background Personnel assigned to recruit a new hire. During FY 2017/2018, there were 17 retired annuitants assigned to conduct background investigations at a cost of \$30.75 per hour. These positions are funded in the Police Department’s operating budget, which included Measure A funds.

Police Department Positions Filled

SWORN OFFICERS	Total Authorized/Budgeted	Total Filled
As of June 30, 2014	365	347
As of June 30, 2015	405	387
As of June 30, 2016	445	409*
As of June 30, 2017	485	445**
As of June 30, 2018	485	470

*The Eadie and Payne audit for year ending June 30, 2016 listed the total filled positions as 413.

** The Measure A Committee Annual Report for FY 2016/2017 list total filled positions at 447.

For the period ending 6/30/2018, the City of Stockton has hired 322 Police Officers and retained 119, since Measure A was implemented in April 2014. The cost of hiring the 322 Police Officers reaches as much \$17.4 million dollars. To the best of our estimates, when you factor the number of officers lost by the \$54,000 hiring cost, the City has spent approximately \$10,962,000 in hiring costs that could have been used on other priorities.

Public Safety Retirements

In FY 2017/2018 there were 11 service retirements and 3 disability retirements of sworn police officers.

Recommendation:

The City must continue to develop an effective method of recruiting and retaining its police staffing. Police Officer retention continues to be a key issue for the City and recruitment and retention must remain a high priority for the City of Stockton. Establishing an independent exit panel may assist in determining why the new hires or existing staff leave the department.

Office of Violence Prevention

The Office of Violence Prevention was established as part of Stockton's Marshall Plan. The OVP currently functions within City Manager's Office. The OVP manages the Peacekeeper Program, Operation Ceasefire and community outreach; working as a liaison between City Hall and community partners for crime prevention. The following information and program descriptions were provided to the Committee by staff.

According to staff, OVP provides:

Operation Ceasefire Group Gun Violence Intervention:

Outreach to gang involved individuals

Outreach to victims of gun violence

Hospital interventions for victims of gun violence

Gang awareness trainings and assemblies

Facilitation of Ceasefire Leadership Council

Group conflict mediation

Intensive case management for Ceasefire clients:

Daily contact

Safety planning

Work readiness: pay for government documents, driver's license, work clothes, work tools

Education: pay for GEDs, certifications, union apprenticeships

Therapy: Provide behavioral therapy, trauma informed care for clients and victims of gun violence

Other client services: addiction recovery, tattoo removal, transportation, housing assistance

☐ Community Engagement and Prevention

Convene Community Engagement Coalition

Convene Marshall Plan Stakeholder Committee

Develop community partnerships in support of violence reduction, including social factors related to housing, education, employment, health and safety

South Stockton Promise Zone Safety Committee Lead Agency

Attend community events

Host quarterly Data & Donuts community accountability meetings

Host quarterly case manager mixers for community-based organizations that serve at-risk community

Conduct monthly outreach canvassing in hot zones areas

Partner on violence prevention and client services events with community-based organizations

Staff as of June 30, 2018

OVP had 14 authorized positions in FY 2017/2018. There was one Supervisor position vacant.

OVP Manager

Administrative Aide

Management Assistant (Analyst)

Ceasefire Supervisor

8 Peacekeepers

Community Engagement Coordinator

The OVP served 141 clients during FY 2017/18. This is a large reduction from the previous Fiscal Year in the number of clients served. The OVP states this was due to a caseload audit that was conducted in 2017. OVP said the reduced Peacekeeper caseloads happened to intensively focus on case management for high risk clients.

The OVP's Measure A budget in FY 2017/2018 was in excess of \$1,000,000.

Actual expenditures for FY 2017/2018 according to City staff:

\$564,609 in Salaries and Benefits

\$339,054 in Other Services

\$12,232 Materials and Supplies

\$10,494 Office Equipment

\$10,363 Other Expenses.

Other Services, the following expenses were reported:

\$173,000 in Consulting fees to support Operation Ceasefire

\$121,921 for annual internal service rates for insurance, vehicles & computer equipment

The remaining approximately \$44,133 Other Services expenses include costs for publicity, duplicating, Peacekeeper uniforms, room rentals and client services

Material and Supplies-

fuel costs, office supplies, promotional items for community events and the purchase of a tablet for mobile data entry

Office Equipment-

purchase of cubicle workstations and chairs for Peacekeepers at a new office location, and a new computer

Other Expenses-

-Registrations for several training courses by Peacekeepers

-Peacekeeper registration and travel to Los Angeles Gang Conference

-Management Professional Development travel to California Violence Prevention Network Convening, Crime Analyst Annual Conference, Municipal Manager's Association of Northern California Annual Conference

Information below received from staff reports Client Services expenditures for FY 2017/18 are summarized in the following categories:

Category	Expenditures	Clients
Education	\$0.00	0
Housing	\$3000.00	2
Trust-Building Meals	\$461.98	18
Trust-Building Support	\$3,108.72	13
Work Readiness	\$712.17	17
Self-Sufficiency	\$3,745.92	16
TOTAL	\$11,028.79	66

These are summaries of services provided by OVP staff

Education: Providing clients with educational and training courses to develop life skills and employment skills. Examples include GED classes, equipment operator training, job skill certifications, etc.

Housing: Providing emergency housing or relocation assistance to clients at imminent risk of gun violence at their current residence. Examples include rental deposits, first and last month rent, emergency housing, etc.

Trust-Building Meal: Once a month Peacekeepers can take a client for a meal to establish trust and a working relationship.

Trust-Building Support: Assist clients to cover living expenses when life events cause them to fall behind; allows clients to get back on their feet without interrupting their progress. Examples include providing groceries, rent assistance, paying utility bills, etc. Also includes transformation experiences as incentives for clients that are meeting performance goals.

Work Readiness: Providing clients with the skills, supplies and equipment for employment. Examples include work boots, tools, uniforms, union dues, etc.

Self-Sufficiency: Services that allow clients to be self-sufficient in attending education courses, seeking employment or being employed. Examples include government documents, bus passes, gas cards, car repairs, etc. Also includes merit-based stipends for providing communication, mediation and community outreach services on behalf of the Office of Violence Prevention.

The OVP initiated a Management Dashboard in FY 2016/17 at a one-time cost of \$10,000. Implementation of this project was completed in FY 2017/18, allowing staff to track client services,

Peacekeeper caseloads, and client outcomes. Elements of the dashboard that do not breach client confidentiality are reported out publicly each quarter through the Data & Donuts community presentations and through reports to the Measure A Committee. These public reports include the number of active clients; total clients served; percentage of clients at high risk , that have experienced gun violence and are gang affiliated; percentages of critical client needs including safety, housing, employment, access to daily meal and education; client re-arrest rate; conflict mediations, and the number of services provided to clients.

In addition, the Management Dashboard allows staff to track the number of clients that are affiliated with the most active group conflicts, to ensure Peacekeepers are reaching those at highest risk of gun violence.

The Dashboard also allows staff to track the number of clients in each phase of the trust building and case management process as well as individual achievement of client progress milestones.

Recommendations:

The Committee would like OVP to provide more detailed reporting of services provided to clients during the Fiscal Year, instead of on a calendar year basis. This would alleviate overlap in data and reflect the numbers of services provided. Line item budget expenditures may provide more explanation of services. For the period reported on, the expenses generated by the department and the small number of clients served are concerning.

Mission Critical Expenditures

The table below reflects amounts budgeted for the 6 Mission Critical items as reported in Eadie & Payne report dated December 28, 2018, is \$9,699,000.

Mission Critical Projects:	Measure A Funding	Expenditures to date	Remaining Funding
LED Lighting Project Phase III	\$1,576,000	\$1,347,285	\$228,715
Information Technology Projects	\$385,000	\$148,373	\$236,627
SEB 4th Floor Build Out	\$1,500,000	\$1,500,000	-
Parks Irrigation Controller Upgrade	\$588,000	\$588,000	-
Police Communications Upgrade	\$650,000	\$650,000	-
Information Technology - ERP System	\$5,000,000	\$1,268,675	\$3,731,325
	\$9,699,000	\$5,502,333	\$4,196,667

However, The Measure A Sub-Committee completing the annual report was given a list of Mission Critical Expenditures listing 19 projects that were partially or fully funded with Measure A Funds totaling \$16,000,000. The City states it used other resources for total appropriations totaling \$24.2 million.

According to Staff, as of June 30, 2018, \$12.8 million of these funds have been expended and \$10.2 million remains to be spent on active projects. This committee is unable to report on the details of the actual expenditures as we do not track other sources of funding besides Measure A Revenues.

Recommendation:

The Committee would appreciate continued detailed breakdowns on future Mission Critical Project Updates as to the funding sources and completion status of projects that have used Measure A funding.

Economic Recovery Review

General Fund Revenues Compared to CPI-Adjusted Peak Revenues for FY 2017/2018 were \$37.3 million below adjusted peak revenues.

Bankruptcy Recovery

\$9.2 million dollars was spent in FY 2017/2018 on bankruptcy recovery. We were provided no other details or breakdown of these costs. Therefore, we are unable to report further or make any recommendations.

Financial Reporting

The Measure A committee was provided with quarterly financial reports at the 3 meetings held during this fiscal year.

Independent Audit

The Committee's has continued to request an independent audit of Measure A & B revenues and expenditures. In response, the City hired Eadie & Payne, LLP to perform an Independent Accountant's Reports on Applying Agreed-Upon Procedures.

On December 28, 2018, Edie & Payne, LLP issued their report for 2017/2018 fiscal year.

This is not a CPA fully audited report.

In their report on page 1, it is stated, "Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which the report has been requested or for any other purpose."

Eadie & Payne, LLP also states on page 5 of the December 28, 2018 report, "We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you."

The Ordinance 2013-07-09-1601 establishing the tax, states in

Section 20 Audit and Review: The proceeds of the tax imposed by this Ordinance, as well as the expenditure thereof, shall be audited annually by and *independent* accounting firm. The City Council shall discuss the results of such audit at a meeting of the City Council that is open to the public. The report of such audit shall be posted on the City's website.

Recommendation:

We continue to request that the Revenue and Expenditures of Measure A funds be audited annually by an independent auditor. Which is clearly stated in Section 20 Audit and Review.

Conclusion

There are several areas that need careful attention and review in order to be in compliance with the Ordinance and Committee By-Laws.

From the City of Stockton, California Measure A Advisory Committee By-Laws dated October 23, 2014,

Mission and Purpose: The mission of a strong and independent Committee is to oversee the expenditure of revenues generated by Measure A and to make recommendations to the City Council regarding those expenditures as set forth in Measure B.

The Committee was not involved in the pre-budget process and therefore unable to make recommendations to the City Council.

Section 8

Meetings:

- a) The Committee shall conduct an annual meeting with the City/Independent auditor and City staff, each year within 60 days following the audit of the prior fiscal year's books. The purpose of the annual meeting is for Committee members to review the expenditures of Measure A proceeds and the audits, as attested by the City/Independent financial auditor, to ensure that tax proceeds are expended for the purpose set forth in the applicable Measure A & B ballot language. The annual meeting will also include the task of adopting an annual report of their findings for presentation to the City Council.
- b) In accordance with the Charter, The Committee will meet at least one additional time to review budgets for Measure A revenues and Measure B (public safety) expenditures before the City Council's public sessions on the upcoming annual budget.

Section 9

Authorized Activities:

b) Receive and review copies of the City's annual independent audit which is required by the Ordinance.

This process has not been occurring in a manner designated in the By-Laws. Thus, the Committee continues to request the *independent audit* of Measure A Tax proceeds and expenditures be completed and that the By-Law's be followed as set forth in the Charter.

In completing this report, a Committee liaison or dedicated staff contact would have expedited the completion. There was little direction or specifics provided on how to request data and address

questions. We would like to acknowledge the City Clerk's Office for their assistance to the Committee.

This Committee is comprised of volunteer, appointed citizens who represent the citizens of the City of Stockton. We are not auditors or accountants; this report is written to inform the general public and the voters of the revenue and expenditures of Measure A Funds.

Respectfully submitted by Measure A Annual Report Sub-Committee,

Joni Anderson, Chair

Ernesto Gonzalez

Karl Miller